

REVENUE

Budget Summary						FTE Position Summary				
Fund	2022-23 Adjusted Base	Governor		2023-25 Change Over Base Year Doubled		2022-23	Governor		2024-25 Over 2022-23	
		2023-24	2024-25	Amount	%		2023-24	2024-25	Number	%
GPR	\$192,630,300	\$198,190,900	\$195,268,400	\$8,198,700	2.1%	950.15	983.15	983.15	33.00	3.5%
PR	21,313,300	23,522,500	22,937,200	3,833,100	9.0	135.40	140.00	140.00	4.60	3.4
SEG	29,755,200	39,881,300	39,971,000	20,341,900	34.2	92.45	96.45	96.45	4.00	4.3
TOTAL	\$243,698,800	\$261,594,700	\$258,176,600	\$32,373,700	6.6%	1,178.00	1,219.60	1,219.60	41.60	3.5%

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS

Governor: Provide adjustments to the base budget for: (a) turnover reduction (-\$1,899,300 GPR and -\$141,200 SEG annually); (b) full funding of continuing position salaries and fringe benefits (\$324,100 GPR, \$132,900 PR, and \$252,800 SEG annually); (c) reclassifications and semiautomatic pay progression (\$148,200 PR and \$26,900 SEG in 2023-24 and \$210,900 PR and \$36,100 SEG in 2024-25); (d) full funding of lease and directed moves costs (-\$271,400 GPR, -\$26,600 PR, and \$123,000 SEG in 2023-24 and -\$260,100 GPR, -\$26,100 PR, and \$123,100 SEG in 2024-25); and (e) minor transfers within the same alpha appropriation.

GPR	-\$3,681,900
PR	572,200
SEG	<u>532,300</u>
Total	-\$2,577,400

2. AGENCY SUPPLIES AND SERVICES FUNDING INCREASE

Governor: Provide \$503,000 GPR annually to increase agency supplies and services funding. According to the Administration, the amounts represent a 5% increase to supplies and services funding for certain annual GPR and SEG state operations appropriations. The proposed increases would be provided to appropriations that meet the following criteria: (a) in 2021-22, the agency expended 95% or more of the amount budgeted for supplies and services; and (b) for the 2023-25 biennium, no other additional supplies and services funding is being proposed for a similar purpose.

GPR	\$1,006,000
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3. EQUITY OFFICER POSITION

	Funding	Positions
GPR	\$170,800	1.00

Governor: Provide \$74,800 in 2023-24 and \$96,000 in 2024-25 and 1.0 position annually to create an agency equity officer position. The agency equity officer would be responsible for collaborating with the chief equity officer in the Department of Administration and with other agency equity officers to identify opportunities to advance equity in government operations. [See "Administration -- General Agency Provisions."]

4. MINOR TRANSFERS BETWEEN APPROPRIATIONS

Governor: Transfer \$276,900 GPR and 3.0 positions annually from the Department of Revenue's (DOR) collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Office of Communications in the Secretary's Office. According to DOR, the purpose of the Office of Communications would be to align the Department's internal and external communications under one manager. The Department indicates that the positions would be transferred from the Division of Income, Sales, and Excise Tax; two of the positions are communications positions and the third position is a vacant revenue tax representative.

Transfer \$329,700 GPR and 3.0 FTE positions annually from DOR's collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Engagement & Strategy Section in the Enterprise Services Division. According to DOR, the Engagement & Strategy Section would be focused on learning, engagement and retention, and promoting and supporting effectiveness, efficiency, and strategic success. DOR indicates that the positions that would be transferred consist of two vacant revenue auditor 1 positions and one vacant revenue agent position in the Division of Income, Sales, and Excise Tax. The Department does not estimate an effect on state tax collections as a result of the proposed transfer because the positions are currently vacant.

Finally, transfer \$33,800 GPR from its collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation for general overhead costs.

Tax Administration

1. DELINQUENT TAX COLLECTION AGENTS

	Funding	Positions
GPR	\$1,504,800	11.00
GPR-Tax	\$20,100,000	

Governor: Provide \$677,300 in 2023-24 and \$827,500 in 2024-25 and 11.0 positions annually to enhance delinquent tax collection efforts. According to DOR, these positions would consist

of nine revenue agents, one revenue agent supervisor, and one revenue agent lead. The administration indicates that DOR is unable to attain its full collection potential of taxes owed under current law at its current staffing levels. It is estimated that this provision would increase general fund tax collections by \$4,000,000 in 2023-24 and \$16,100,000 in 2024-25 and annually thereafter.

2. CONVERT REVENUE AGENT PROJECT POSITIONS TO PERMANENT POSITIONS

Governor: Convert 38.0 GPR project positions to permanent positions and maintain current funding of \$2,017,500 GPR for position salaries and \$842,100 GPR for fringe benefits, annually. The 38 project positions are located within DOR's Division of Income, Sales, and Excise Tax, and consist of: (a) 17 audit revenue agent positions and one supervisor position in the Division's Audit Bureau; and (b) 19 tax collection revenue agent positions and one supervisor position in the Division's Compliance Bureau.

These positions were created by 2017 Act 59 and are scheduled to expire on June 30, 2025. The Administration indicates that allowing the positions to expire would result in an increase of unpaid delinquent taxes and would reduce general fund tax collections by an estimated \$39.3 million annually, offsetting the annual reduction of \$2,859,600 GPR associated with the expiration of these project positions, beginning in 2025-26.

3. ADVANCED TECHNOLOGY SYSTEM PROJECT

Governor: Provide \$1,350,000 GPR and \$1,350,000 PR in 2023-24 and \$600,000 GPR and \$600,000 PR in 2024-25 for supplies and services to implement an advanced technology system in the Department of Revenue's Compliance Bureau. The Administration indicates that this system would utilize data analytics to enhance collections of both delinquent taxes and debts owed to local governments and state agencies by \$10,800,000, annually, once the program is fully operational. The Administration estimates that 70% (\$7,600,000 annually) of enhanced collections would come from delinquent general fund taxes, beginning in 2024-25. The remaining 30% (\$3,200,000 annually) of enhanced collections would come from debts owed to state agencies and local governments under the Statewide Debt Collection (SDC) program, beginning in 2024-25.

GPR	\$1,950,000
PR	<u>1,950,000</u>
Total	\$3,900,000
GPR-Tax	\$7,600,000
GPR-REV	-\$1,950,000

Under DOR's debt collection appropriation, all revenues collected in excess of expenditures are transferred to the general fund at the end of the fiscal year. Estimate a reduction in the year-end transfer to the general fund of \$1,350,000 GPR-REV in 2023-24 and \$600,000 GPR-REV in 2024-25 to reflect increased PR expenditures that would be authorized under this appropriation.

4. STATEWIDE DEBT COLLECTION POSITIONS

	Funding	Positions
PR	\$940,100	7.00
GPR-REV	\$1,633,300	
PR-REV	2,573,400	

Governor: Provide \$423,500 PR in 2023-24 and \$516,600 PR in 2024-25 and 7.0 PR positions annually to DOR's collection of taxes -- debt collection appropriation to increase efforts to collect debts owed to state agencies and local governments under the SDC program. DOR indicates that the authorization of these positions would increase the collection and remittance of debts owed by an estimated \$11.9 million annually.

According to DOR, the seven positions would consist of one revenue agent supervisor, one revenue agent lead, and five revenue agents. The Administration indicates that, in addition to enhanced collections of state and local debts, providing these seven positions would result in the following changes to state revenues: (a) an increase of \$516,800 PR-REV in 2023-24 and \$2,056,600 PR-REV in 2024-25 from additional fees collected by DOR; and (b) an increase in the year-end transfer to the general fund of \$93,300 GPR-REV in 2023-24 and \$1,540,000 GPR-REV in 2024-25.

5. STATEWIDE DEBT COLLECTION OFFICE RESOURCES

PR	\$892,000
GPR-REV	- \$892,000

Governor: Provide \$446,000 annually for supplies and services for the SDC program to enhance the program's ability to collect debts owed to state agencies and local governments. DOR indicates that additional resources are needed to cover increased costs for its current operations, as a result of increased debt amounts referred to SDC in recent years. Estimate reduced GPR-REV of \$446,000 annually.

6. ADMINISTRATION AND ENFORCEMENT OF MARIJUANA TAX AND REGULATION

	Funding	Positions
GPR	\$5,357,900	18.00

Governor: Provide \$3,284,300 in 2023-24 and \$2,073,600 in 2024-25 and 18.0 positions annually in a new appropriation for the purposes of: (a) administering the marijuana tax; and (b) enforcing the proposed taxation and regulation of marijuana producers, processors, and retailers.

The legalization of the sale and taxation of marijuana would be authorized under separate provisions of the bill. [For additional information, see "Marijuana-Related Provisions."]

[Bill Section: 523]

7. MARIJUANA PERMIT FEES

GPR-REV	\$1,410,000
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Governor: Estimate additional GPR-REV of \$675,000 in 2023-24 and \$735,000 in 2024-25 from the collection of marijuana permit fees. Under the bill, DOR would charge a \$250 application fee to every person applying for a marijuana permit, as well as an annual fee of \$2,000 to each person holding a valid permit. Fees would be paid to DOR and deposited directly into the

general fund. [For additional information, see "Marijuana-Related Provisions."]

[Bill Section: 2294]

8. REPEAL BASEBALL STADIUM TAX ADMINISTRATION APPROPRIATION

	Funding	Positions
PR	- \$855,000	- 4.40

Governor: Delete \$427,500 and 4.40 positions annually to eliminate the funding and vacant positions associated with DOR's collection of taxes -- administration of special district taxes appropriation. Repeal the appropriation on April 30, 2024. This appropriation was created to administer the baseball stadium district tax, which ended March 31, 2020. The Administration indicates that the delayed effective date for the repeal of this appropriation is necessary to allow taxpayers to timely file amended returns.

[Bill Sections: 526 and 9437(8)(a)]

9. PERSONAL PROPERTY TAX REPEAL ADMINISTRATIVE COSTS

GPR	\$1,430,700
PR	<u>22,600</u>
Total	\$1,453,300

Governor: Provide \$1,310,300 GPR and \$22,600 PR in 2023-24 and \$120,400 GPR in 2024-25 to fund the administrative costs of implementing the repeal of the personal property tax. The Administration indicates that, of the total funding for this provision, \$20,500 would be provided as ongoing funding for assessor trainings and annual reviews of personal property aid based on two different assessment years. The remainder would be for one-time costs associated with updating information technology systems and applications for DOR's State and Local Finance Division. [For additional information, see "Shared Revenue and Tax Relief -- Property Taxation."]

10. MANUFACTURING PROPERTY ASSESSMENT SPECIALISTS

	Funding	Positions
GPR	\$311,200	2.00
PR	<u>311,200</u>	<u>2.00</u>
Total	\$622,400	4.00

Governor: Provide \$140,100 GPR and \$140,100 PR in 2023-24 and \$171,100 GPR and \$171,100 PR in 2024-25 and 2.00 GPR and 2.00 PR positions annually to ensure more timely and accurate manufacturing property assessments under current law. The Administration indicates that recent increases in workloads and decreases in available resources prevent DOR from meeting its statutory five-year review period for state-assessed manufacturing properties. DOR states that the four property assessment specialists provided under the Governor's budget would allow DOR to conduct more field audits each year to meet (or exceed) the required five-year review schedule.

11. LOCAL GOVERNMENT SERVICES BUREAU

	Funding	Positions
GPR	\$149,200	1.00

Governor: Provide \$67,400 in 2023-24 and \$81,800 in 2024-25 and 1.0 position annually to DOR's Local Government

Services Bureau (LGS). According to DOR, the current workload assigned to LGS is beyond its capacity and the Bureau is in need of additional auditors to meet its statutory deadlines related to the administration of shared revenue, property tax credits, county and municipal levy limits, equalized values, and other programs. The Administration indicates that this revenue audit position would improve customer service to local governments and assist in the administration of shared revenue, property tax credits, and other LGS-assigned programs.

Regulation of Alcohol, Tobacco, Nicotine Products, and Vapor Products

1. WINE SALES IN PUBLIC PARKS

Governor: Permit municipalities and counties to sell wine in its public parks without an alcohol beverage license. Under current law, no person may sell alcoholic beverages to a consumer without holding the appropriate license, permit, or authorization issued under Chapter 125 of the Wisconsin Statutes. However, certain exceptions in state law waive the requirement to hold a license or permit. An exception currently applies for sales of fermented malt beverages (beer) in any public park operated by a county or municipality, if the beer is sold by officers or employees of the county or municipality under an ordinance, resolution, rule, or regulation enacted by the governing body. This bill would expand the current law exception to include sales of wine in public parks. This provision would take effect on the bill's effective date.

[Bill Sections: 2262 and 2266]

2. CLOSING HOURS DURING REPUBLICAN NATIONAL CONVENTION

Governor: Allow certain southeast Wisconsin municipalities to authorize extended closing hours for alcohol beverage retailers operating under Class "B", "Class B", or "Class C" licenses during the 2024 Republican National Convention in Milwaukee.

Class "B" licenses permit the retail sale of beer for consumption both on and off the premises, while "Class B" licenses permit the retail sale of intoxicating liquor, including wine and hard cider, by the glass, for consumption on the premises where sold. Under certain circumstances, "Class B" licenses permit the retail sale of intoxicating liquor for consumption off the premises. "Class C" licenses are issued to restaurants to permit the retail sale of wine for consumption on the premises.

Under current law, premises operating under Class "B", "Class B", or "Class C" licenses are generally required to close between the hours of 2:00 a.m. and 6:00 a.m. on weekdays, and between the hours of 2:30 a.m. and 6:00 a.m. on Saturday and Sunday. Under the bill, a southeast Wisconsin municipality may adopt a resolution allowing authorized Class "B", "Class B", and "Class C" license holders within the municipality to extend closing hours from July 15 through July 19, 2024

(during the 2024 Republican National Convention). A "southeast Wisconsin municipality" would mean any city, village, or town located, in whole or in part, within one of the following counties: Kenosha; Racine; Walworth; Rock; Milwaukee; Waukesha; Jefferson; Dane; Ozaukee; Washington; Dodge; Columbia; Sheboygan; or Fond du Lac. For any southeast Wisconsin municipality that adopts a resolution allowing extended closing hours, the closing hours would be between 4:00 a.m. and 6:00 a.m. The bill specifies that municipalities adopting such resolutions would have to establish an application process to authorize alcohol beverage retailers holding Class "B", "Class B", and "Class C" licenses to extend their closing hours.

[Bill Section: 9137(1)]

3. MINIMUM AGE FOR CIGARETTES, NICOTINE, TOBACCO, AND VAPOR PRODUCTS

Governor: Raise the Wisconsin minimum age for the purchase and sale of cigarettes, tobacco products, and nicotine products from 18 to 21. The bill would impose the same minimum age for the purchase and sale of vapor products.

Under Wisconsin law, purchases of cigarettes, tobacco products, and nicotine products by persons under the age of 18 (underage person) are prohibited. Similarly, the sale or gift of such products to underage persons is prohibited, as is the purchase of these products on behalf of such persons. Under laws governing the direct marketing of cigarettes, certain provisions apply for direct marketers to ensure that the purchaser is at least 18 years of age.

An underage person who is at least 15 years of age may attempt to purchase a cigarette, nicotine product, or tobacco product with the permission of his or her parent or guardian under current law, provided such an attempt is made during an authorized compliance investigation concerning sales to underage persons. Additionally, a person under the age of 18 may purchase such products for the sole purpose of resale in the course of employment, during working hours, if employed by a retailer.

However, on December 20, 2019, the federal minimum age for the purchase of cigarettes, tobacco products, and vapor products was raised from 18 to 21, making it illegal under federal law for Wisconsin retailers to sell such products to anyone under age 21. Therefore, the Governor's recommendation would codify the federal minimum age in state law.

The bill would prohibit individuals under the age of 21, rather than 18, from purchasing cigarettes, tobacco products, and nicotine products, and would also prohibit such individuals from purchasing vapor products. The bill would similarly prohibit the sale or gift of such products to, and purchases of such products on behalf of, persons under 21 years of age. Such products in the possession of persons under the age of 21 would be subject to seizure by a law enforcement officer. Current law provisions regarding the sale of such products in the presence of underage persons would be modified to include the sale of vapor products, and the presence of persons under the age of 21. In addition, under laws governing restrictions on the sale or gift of cigarettes, nicotine products, or tobacco products, a retailer would include a person who sells vapor products to any person not holding a cigarette and tobacco product retailer license or a tobacco product distributor

permit.

Current law provisions governing the direct marketing of cigarettes would be updated to comport with the new minimum age requirements under the bill. The bill would also modify current law provisions concerning compliance investigations to reflect the new minimum age of purchase and sale under the bill, and would add vapor products to the list of products for which such investigations can be conducted. Finally, the bill would modify current law requirements regarding the posting of signs or notices by retailers and vending machine operators, compliance training for employees of cigarette and tobacco products retailers, and defense to a prosecution in cases of sales to underage persons, to also apply to vapor products and to conform with the new minimum age of purchase and sale under the bill.

These provisions would first apply to the following on the bill's effective date: (a) purchases, attempts to purchase, possession, and false representations of age for the purpose of receiving any cigarette, nicotine product, tobacco product, or vapor product by persons under 21 years of age; and (b) sales or the provision of cigarettes, nicotine products, tobacco products, or vapor products to persons under 21 years of age. The Administration indicates that the effect of this provision on general fund tax revenues would be minimal.

[Bill Sections: 2267 thru 2274, 2607 thru 2618, and 9302(2)]

Lottery Administration

1. LOTTERY SALES PROJECTIONS

Governor: Project sales of \$912.1 million annually. Projected lottery sales provide the basis for estimating the lottery and gaming property tax credit in the next biennium. In addition, the projected sales directly affect appropriations for retailer compensation and lottery vendor fees. The Governor's 2023-25 projected sales are based on sales models utilized by DOR to estimate both lotto (on-line) and instant ticket games. The following table shows these projections, as well as 2021-22 actual lottery sales and estimated sales in 2022-23.

Lottery Sales Projections (\$ in millions)

<u>Game Type</u>	<u>Actual</u> <u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>Percent Change</u> <u>from 2022-23</u>	<u>2024-25</u>	<u>Percent Change</u> <u>from 2023-24</u>
Scratch	\$637.8	\$643.5	\$643.5	0.0%	\$643.5	0.0%
Pull-tab	1.1	1.3	1.3	0.0	1.3	0.0
Lotto	<u>248.9</u>	<u>267.3</u>	<u>267.3</u>	0.0	<u>267.3</u>	0.0
Total	\$887.8	\$912.1	\$912.1	0.0%	\$912.1	0.0%

2. LOTTERY FUND CONDITION STATEMENT

Governor: The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. The following fund condition statement provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earnings and gaming-related revenue, and the amounts available for tax relief credits under the bill. The bill would appropriate \$299,700,700 in 2023-24 and \$297,926,900 in 2024-25 for both the lottery and gaming credit and the late applications lottery and gaming credit.

	Projected <u>2023-24</u>	Projected <u>2024-25</u>
Fiscal Year Opening Balance	\$18,247,600	\$18,247,600
Operating Revenues		
Total Ticket Sales	\$912,117,200	\$912,117,200
Retailer Fees and Miscellaneous	<u>262,800</u>	<u>262,800</u>
Gross Revenues	\$912,380,000	\$912,380,000
Expenditures (SEG)		
Prizes	\$578,485,100	\$578,485,100
Retailer Compensation	12,366,800	12,366,800
Vendor Fees	3,483,000	3,483,000
General Program Operations	20,954,500	21,034,900
Gaming Law Enforcement	415,400	415,400
Lottery Credit Administration	339,200	339,200
Program Reserves	<u>235,300</u>	<u>528,700</u>
Total SEG Expenditures	\$616,279,300	\$616,653,100
Expenditures (GPR)		
Retailer Compensation	\$51,999,600	\$51,999,600
Vendor Fees	<u>20,875,400</u>	<u>20,875,400</u>
Total GPR Expenditures	\$72,875,000	\$72,875,000
Net SEG Proceeds	\$296,100,700	\$295,726,900
Interest Earnings	\$3,600,000	\$2,200,000
Total Available for Tax Relief *	\$317,948,300	\$316,174,500
Appropriations For Tax Relief		
Lottery and Gaming Credit	\$298,850,700	\$297,076,900
Late Lottery and Gaming Credit Applications	<u>850,000</u>	<u>850,000</u>
Total Appropriations for Tax Relief	\$299,700,700	\$297,926,900
Gross Closing Balance	\$18,247,600	\$18,247,600
Reserve (2% of Gross Revenues)	\$18,247,600	\$18,247,600
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings, and gaming-related revenue.

[Bill Section: 255]

3. LOTTERY RETAILER COMPENSATION AND VENDOR FEES

SEG	\$19,215,600
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Governor: Provide \$7,061,800 annually for retailer compensation and \$2,546,000 annually for vendor fees associated with increases in estimated lottery sales. This would increase SEG funding for vendor fees to \$3,483,000 annually and SEG funding for retailer compensation to \$12,366,800 annually. In addition to the sum sufficient SEG appropriations for retailer compensation and vendor fees, two separate GPR appropriations also provide funding for these purposes.

Basic retailer compensation is established by statute at 5.5% of the retail price of lotto lottery tickets and 6.25% of the retail price of instant tickets sold by the retailer. In addition, the retailer performance program provides an amount of up to 1% of gross lottery sales as incentive payments to retailers. Vendor fees are paid under a major procurement contract for the provision of data processing services to both the lotto and instant lottery games.

4. LOTTERY DRAW STAFF

	Funding	Positions
SEG	\$99,300	1.0

Governor: Provide \$42,600 in 2023-24 and \$56,700 in 2024-25 and 1.0 position to the Lottery Division's SEG general operations appropriation to assist with both the increased number of lotto games and the mid-day draws that have been implemented for several lotto games.

5. LOTTERY INVESTIGATORS

	Funding	Positions
SEG	\$494,700	3.0

Governor: Provide \$214,200 in 2023-24 and \$280,500 in 2024-25 and 3.0 positions to the Lottery Division's SEG general operations appropriation to enhance efforts to maintain the security and integrity of the lottery.